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**SHULLY'S**  
**INDUSTRIES LIMITED**

*Annual Report 1966*





JUNE 20, 1966

## SHULLY'S INDUSTRIES LIMITED

### EXECUTIVE OFFICES:

73 WINGOLD AVENUE, TORONTO 19, ONTARIO

### DIRECTORS:

MAURICE SHULLY  
HAROLD IRWIN SHULLY  
GILBERT JAY SHULLY  
RAPHAEL DAVID WOLFE  
LEON ELLIOT WEINSTEIN  
ALBERT SHIFRIN, Q.C.  
LIONEL B. WHITE

### OFFICERS:

MAURICE SHULLY, *President*  
HAROLD IRWIN SHULLY, *Vice-President and Secretary*  
GILBERT JAY SHULLY, *Vice-President and Treasurer*  
MAURICE BRONNER, *Comptroller*  
HARRY HIBLOOM, *Assistant Comptroller*

### TRANSFER AGENTS AND REGISTRAR:

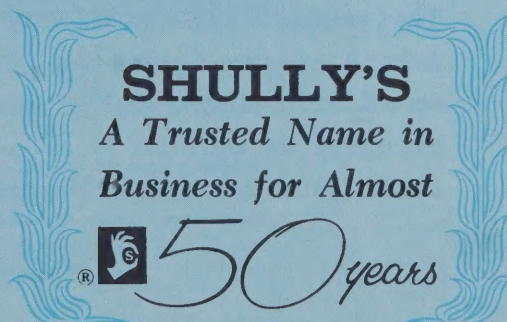
GUARANTY TRUST COMPANY OF CANADA

### AUDITORS:

PAPE, STROM, SHERMAN & LAVINE

### BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE





## Report to the Shareholders

I am pleased to report that sales of your Company have shown a modest improvement; likewise both pre-tax and post-tax profits have improved.

During this current year, the Company's continuing policy of seeking diversification led it for the first time into the manufacture and sale of steel as well as aluminum products.

Accordingly, plant facilities are now nearing completion, which enable the Company not only to fabricate and paint steel and aluminum products for their own lines, but also to offer its facilities on a sub-contract basis to other manufacturers.

The Company's wholly-owned subsidiary, Adsa Acceptance Corporation Limited, continues to prosper and is presently expanding its activities so as to take advantage of the Company's sound fin-

ancial position, and the "tight-money" policy prevalent in the country at the present time.

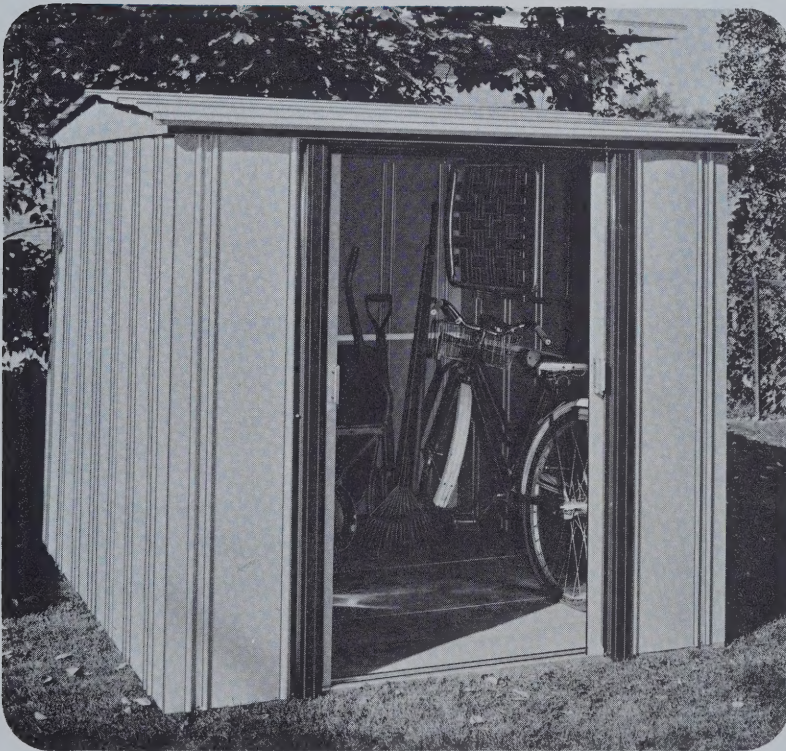
It is the same sound financial position that leaves the Company in an excellent position to continue its cautious and conservative search throughout the world for new products which, through its new and improved facilities, both within the plant and administrative organization, the Company has never been in a better position to absorb.

It is a matter of continuing pride to me that our Company is blessed with the loyalty of an able, industrious, responsible and enthusiastic staff. With their help, I am most optimistic that the Company will achieve the goals which we all desire.

MAURICE SHULLY,  
*President*

*Another New Product*  
*in STEEL*

**STORALL<sup>®</sup>** "a place for everything"



We have recently developed this low cost Utility Unit in Steel. It is of great advantage to the Homeowner. It protects costly equipment from the elements and prevents any accidental damages.

This new product has already met with great success in your company's retail division. Shully's have now entered the wholesale trade, and to date we have received and delivered orders to department stores, hardware chains, automotive supply houses and co-ops. All of these companies have outlets in major cities throughout Canada.



**SHULLY'S INDUSTRIES LIMITED****CONSOLIDATED BALANCE SHEET****Assets**

	1966	1965
<b>CURRENT</b>		
Cash .....	\$ 22,152	\$ 31,437
Accounts receivable, less allowance for doubtful accounts .....	2,086,647	1,864,962
Inventories of raw materials, work in process and finished goods— at the lower of cost or market .....	442,664	404,261
Advances to salesmen and employees .....	81,274	81,429
Sundry investments and deposits .....	22,563	23,775
Prepaid expenses .....	108,258	122,655
<b>TOTAL CURRENT ASSETS</b> .....	<b>\$2,763,558</b>	<b>\$2,528,519</b>
 <b>Unamortized development costs — new products</b> .....	 <b>\$ 45,307</b>	 <b>\$ 51,779</b>
 <b>FIXED — (note 5)</b>		
Motor vehicles .....	\$ 251,772	\$ 258,329
Plant and equipment .....	400,383	381,177
	<u>\$ 652,155</u>	<u>\$ 639,506</u>
 <b>Less — Accumulated depreciation</b> .....	 338,010	 305,475
	<u>\$ 314,145</u>	<u>\$ 334,031</u>
 <b>OTHER</b>		
Fuel oil distribution accounts .....	\$ 938,335	\$ 938,335
Goodwill on acquisition of subsidiary — at cost .....	100,000	100,000
Patents, patent rights and franchises .....	552,810	552,810
Debenture discount, issue and other expenses — unamortized .....	64,875	77,513
	<u>\$1,656,020</u>	<u>\$1,668,658</u>
 <b>TOTAL ASSETS</b> .....	 <b>\$4,779,030</b>	 <b>\$4,582,987</b>

*Approved on behalf of the Board:*  
MAURICE SHULLY (Director)  
GILBERT JAY SHULLY (Director)

*The attached notes form an integral part of these financial statements.*

## ND SUBSIDIARY COMPANIES

.....AS AT JANUARY 31, 1966

### Liabilities

#### CURRENT

	1966	1965
Bankers' advances (secured) .....	\$ 832,155	\$ 705,676
Accounts payable and accrued liabilities .....	585,981	522,451
Income taxes payable .....	133,764	100,895
Other taxes .....	20,936	25,348
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>\$1,572,836</b>	<b>\$1,354,370</b>
Unearned finance charges .....	\$ 92,329	\$ 78,365
6% Convertible debentures — maturing March 7, 1972 (note 3) .....	665,300	698,600
	\$ 757,629	\$ 776,965
<b>TOTAL LIABILITIES</b> .....	<b>\$2,330,465</b>	<b>\$2,131,335</b>

### Shareholders' Equity

#### CAPITAL STOCK (note 2)

##### Authorized:

300,000 3% Non-cumulative, redeemable, convertible, voting,  
preference shares, par value \$5.00 each

2,000,000 Common shares of no par value

##### Issued:

250,000 Preference shares .....	\$1,250,000	\$1,250,000
325,287 Common shares .....	1,030,988	1,030,988
	<u>\$2,280,988</u>	<u>\$2,280,988</u>

<b>RETAINED EARNINGS</b> .....	167,577	170,664
	<u>\$2,448,565</u>	<u>\$2,451,652</u>

	<u>\$4,779,030</u>	<u>\$4,582,987</u>
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**SHULLY'S INDUSTRIES LIMITED**



## CONSOLIDATED STATEMENT OF INCOME

*For Year Ended January 31, 1966*

	1966	1965
<b>SALES</b> .....	<u>\$6,401,529</u>	<u>\$6,216,088</u>
<b>COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES</b> (Before the undernoted items) .....	\$5,981,318	\$5,851,431
Provision for depreciation and amortization .....	49,435	\$ 48,578
Debenture interest .....	40,766	42,919
Interest and bank charges .....	45,989	29,076
Directors' fees .....	400	400
	<u>\$6,117,908</u>	<u>\$5,972,404</u>
<b>PROFIT BEFORE INCOME TAXES</b> .....	\$ 283,621	\$ 243,684
<b>INCOME TAXES</b> .....	145,593	107,160
<b>NET PROFIT</b> .....	<u><u>\$ 138,028</u></u>	<u><u>\$ 136,524</u></u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

*For Year Ended January 31, 1966*

	1966	1965
<b>BALANCE — Beginning of year</b> .....	\$ 170,664	\$145,139
<b>ADD</b>		
Net profit for year .....	138,028	136,524
Gain on 6% convertible debentures, purchased for cancellation .....	3,846	2,275
	<u>\$ 312,538</u>	<u>\$283,938</u>
<b>DEDUCT</b>		
Dividends paid:		
— 3% Non-cumulative preference shares .....	\$ 37,500	\$ 37,500
— Common shares .....	65,057	65,051
	<u>\$ 102,557</u>	<u>\$102,551</u>
Debenture discount and issue expenses amortized .....	10,136	10,723
Adjustment of prior years' income taxes .....	32,268	
	<u>\$ 144,961</u>	<u>\$113,274</u>
<b>BALANCE — End of year</b> .....	<u><u>\$ 167,577</u></u>	<u><u>\$170,664</u></u>
<b>COMMON SHARE EARNINGS</b> .....	.31	.30
<i>(after preferred share dividend requirements)</i>		



## AUDITORS' REPORT

PAPE, STROM, SHERMAN & LAVINE

CHARTERED ACCOUNTANTS

220 BAY STREET

TORONTO 1

To the Shareholders of  
Shully's Industries Limited

We have examined the consolidated balance sheet of Shully's Industries Limited and its subsidiary companies as at January 31, 1966, and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of Shully's Industries Limited and its subsidiary companies as at January 31, 1966, and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PAPE, STROM, SHERMAN & LAVINE

Chartered Accountants.

Toronto, Canada,

May 5, 1966.

## NOTES TO THE FINANCIAL STATEMENTS

- 1 PRINCIPLES OF CONSOLIDATION** — The financial statements include the accounts of Shully's Industries Limited and the following wholly-owned subsidiary companies: Shully's Automatic Heating and Cooling Co. Limited, Adsa Acceptance Corporation Limited and The Dumont Aluminum Limited.
- 2 CAPITAL STOCK** — Provision has been made to set aside 345,043 common shares of the authorized capital of the company to meet the requirements for the conversion of the 6% convertible debentures and the preference shares presently outstanding.
- 3 6% CONVERTIBLE DEBENTURES** — The debentures mature on March 7, 1972, and are subject to redemption and eligible for conversion under the provisions of a trust indenture dated March 7, 1962, between the company and The Guaranty Trust Company of Canada, as trustee. The debentures are secured by a first floating charge on the assets of the company. During the year \$33,300 principal amount of debentures were purchased for cancellation for an aggregate cash consideration of \$29,454.
- 4 LONG-TERM LEASES** — The companies have entered into long-term leasing agreements for the rental of real property extending to December 31, 1971. Aggregate annual rental payments for \$61,160 are required to June 30, 1970, and \$33,300 per annum for the remainder of the term.
- 5 FIXED ASSETS** — Fixed assets as at February 1, 1962, were recorded on the books and accounts at appraised value, and subsequent additions have been recorded at cost. Depreciation has been calculated in accordance with generally accepted accounting principles applied to appraised values or original cost, whichever was applicable.
- 6 STOCK OPTIONS** — Under the company's stock option plan to employees, 2,570 common shares of the unissued capital stock of the company are available for issue under the plan at \$5 per share.





